

# **EXHIBIT 78**



Shayna R  
Stephanak@JPMCHASE

10/17/2006 12:19 PM

To: Lourenco X Sa/JPMCHASE@JPMCHASE  
cc: "HEL ABS" <hel.abs@jpmorgan.com>, "Rickey Perez"  
<richard.perez@jpmorgan.com>, "Rosa Hyun"  
<rosa.j.hyun@jpmchase.com>, Tom Roh/JPMCHASE@JPMCHASE  
Subject: Re: Fw: Great Hall Mortgages 2006-1

Lourenco,

I've attached a presentation that was put together back in August which gives an overview of Prime and Subprime securitizations. Unfortunately we do not put together investor presentations for each JPMAC deal.

Thanks

Shayna

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Shayna Stephanak  
J.P. Morgan Securities Inc.  
270 Park Avenue, 10th Floor  
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Lourenco X Sa/JPMCHASE

10/17/2006 11:51 AM

To: Shayna R Stephanak/JPMCHASE@JPMCHASE  
cc: "HEL ABS" <hel.abs@jpmorgan.com>, "Rickey Perez"  
<richard.perez@jpmorgan.com>, "Rosa Hyun" <rosa.j.hyun@jpmchase.com>, Tom  
Roh/JPMCHASE@JPMCHASE  
Subject: Re: Fw: Great Hall Mortgages 2006-1 [Link](#)

Many thanks Shayna, this is helpful - can you please also send us the Investor Presentations as this is specifically what we were looking for.

Regards,

Lourenco

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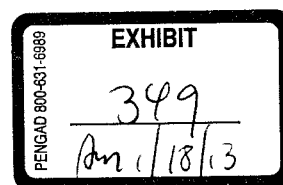
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JPMorgan - Securitised Products  
125 London Wall  
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Shayna R Stephanak/JPMCHASE

To: Lourenco X Sa/JPMCHASE@JPMCHASE, Tom Roh/JPMCHASE  
cc: "HEL ABS" <hel.abs@jpmorgan.com>, "Rickey Perez"

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JPMC\_DEX\_002919682

17/10/2006 16:43

<richard.perez@jpmorgan.com>, "Rosa Hyun" <rosa.j.hyun@jpmchase.com>  
Subject Re: Fw: Great Hall Mortgages 2006-1 [Link](#)

Lourenso,

Attached is a termsheet and salesmemo from our most recent home equity securitization, JPMAC 2006-RM1, along with the termsheet from our last Alt-A securitization, JPALT 2006-A5.

[attachment "JPMAC 2006-RM1 Term Sheet \_NC\_ FINAL.pdf" deleted by Lourenco X Sa/JPMCHASE] [attachment "JPMAC 2006-RM1 Sales Memo Final.pdf" deleted by Lourenco X Sa/JPMCHASE] [attachment "JPALT 2006-A5 Summary Term Sheet Group Pool 1 Sept 12, 2006.pdf" deleted by Lourenco X Sa/JPMCHASE] [attachment "JPALT 2006-A5 Summary Term Sheet Group 2 Sept 13 .pdf" deleted by Lourenco X Sa/JPMCHASE]

Thanks

Shayna

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Tom Roh/JPMCHASE

To "HEL ABS" <hel.abs@jpmorgan.com>, "Rosa Hyun" <rosa.j.hyun@jpmchase.com>

10/17/2006 11:35 AM

cc "Rickey Perez" <richard.perez@jpmorgan.com>  
Subject Fw: Great Hall Mortgages 2006-1

Can someone send him a termsheet and a salesmemo from a subprime deal and a jpmmt.

Thx.

---

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J.P. Morgan Securities Inc.  
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New York, NY 10017  
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Fax: 212.834.6671  
Mobile: 917.609.0817

**From:** Richard Perez  
**Sent:** 10/17/2006 08:15 AM  
**To:** Lourenco Sa  
**Cc:** Cecilia Thibault

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JPMC\_DEX\_002919683

Subject: Re: Great Hall Mortgages 2006-1

Tom,

Can you help Lourenso on his request below. Any insight on selling point of JPMAC will help the London team best position their initial transaction.

Thanks

Rick Perez  
J.P. Morgan Securities Inc.  
office: 212-834-5059  
mobile: 917-750-2522

Lourenco X Sa/JPMCHASE

10/17/2006 09:17 AM

To Richard Perez/JPMCHASE@JPMCHASE

cc Cecile Houlot/JPMCHASE@JPMCHASE

Subject Great Hall Mortgages 2006-1

Rick,

Tried to call you - as you may be aware we are coming to the market in a couple of weeks with the first deal of JPMorgan's own programme in Europe (Great hall Mortgages), collateralised by a portfolio of mortgages we acquired in April 06.

As we are in the process of thinking about the Investor Presentation it would be helpful if you could send us the IPs used in the 2 JPMAC programmes - we beleive it would be interesting to see the message which is being passed to the market and also to be able to potentially leverage on the format/disclaimers, etc.

If you don't have these IPs with you, could you please point us in the right direction.

Thanks and regards,

Lourenco

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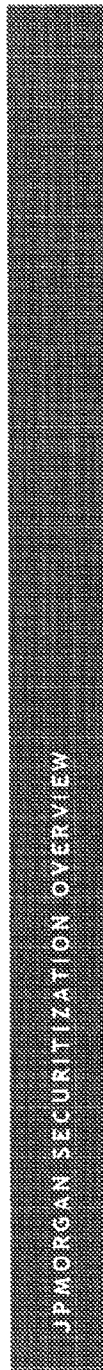
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Investor\_presentation\_Final.pdf

**Name:** Investor\_presentation\_Final.pdf

AUGUST 2006



JPMORGAN SECURITIZATION OVERVIEW

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JPMORGAN SECURITIZATION OVERVIEW

## Agenda

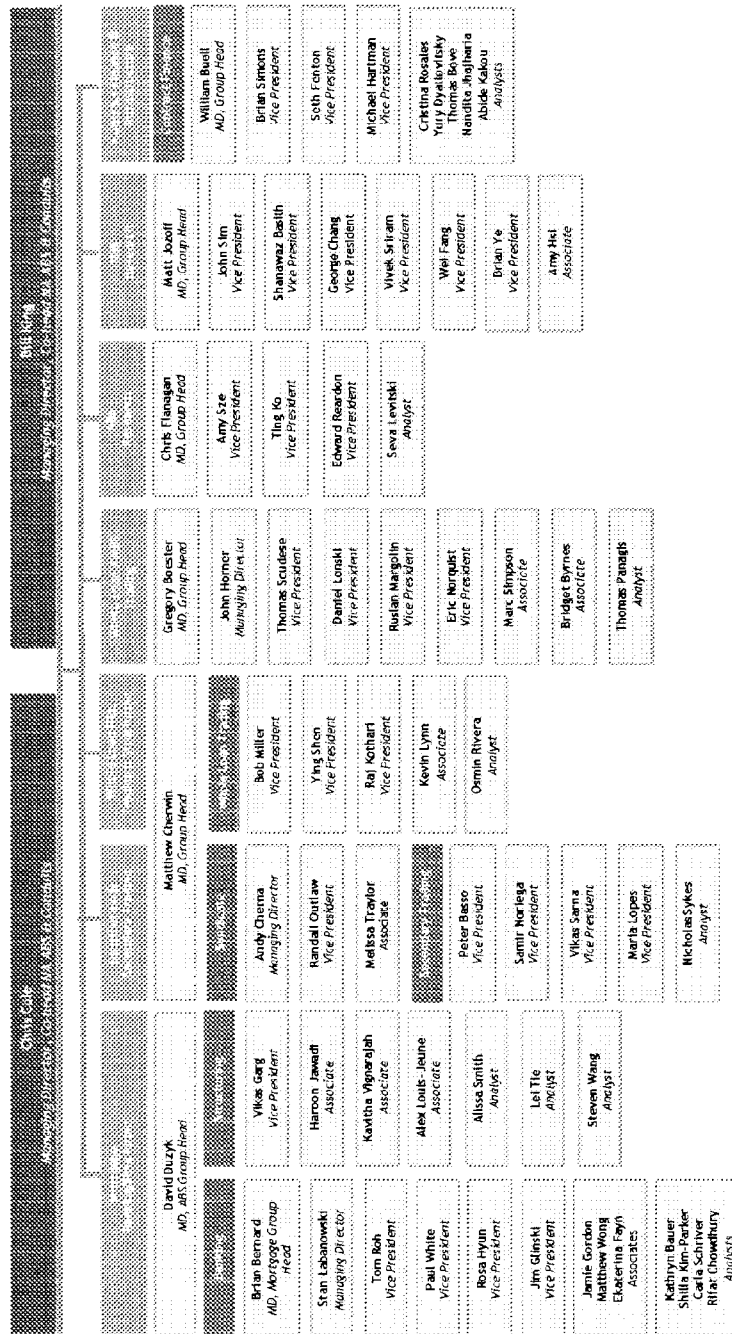
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# Comprehensive team of MBS professionals



JPMorgan

JPMORGAN MORTGAGE BANKING QUALIFICATIONS

## JPMorgan offers a full service platform for mortgage originators

### Aggregates mortgage originations

- JPMorgan covers a number of banks, mortgage companies and REITs
- Transaction expertise exists with third party clients and JPMAC, JPALT, CFLEX and JPMWT
- Services include managing term securitizations, advisory work, new originator/issuer securitizations, new product development and valuation of held securities such as residuals

### Trading and distribution

- The whole loan trading desk purchases prime, Alt -A and subprime paper on a bulk and flow basis
- The desk provides structuring, market and asset expertise to support and facilitate other lines of business across the firm including MBS originations, syndicate, financing, investment banking and various sales and trading groups

### Mortgage finance

- JPMorgan is a leading provider of warehouse and aggregation facilities for mortgage originators

### Global Home Finance

- 4th largest servicer by volume
- Highly rated by S&P and Moody's
  - SQ1 by Moody's as servicer of prime and subprime loans
  - Strong/Stable by S&P as servicer of prime and subprime loans

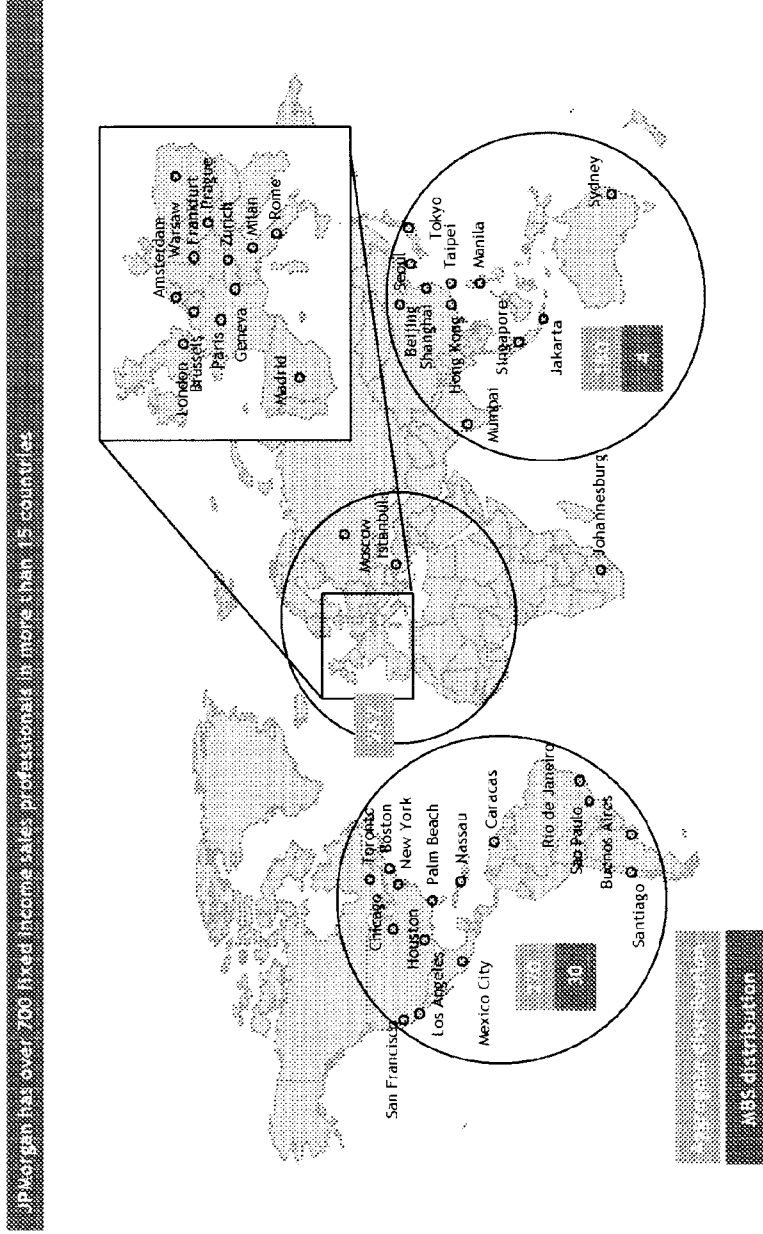
### Derivatives

- JPMorgan's derivative practice is consistently recognized as one of the top dealers globally



JPMORGAN MORTGAGE BANKING QUALIFICATIONS

























JPMorgan's global distribution platform provides our clients with access to the leading institutional investors across the world



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JPMORGAN MORTGAGE BANKING QUALIFICATIONS

## JPMorgan is a top underwriter of mortgage-backed securities and home equity ABS

Recent ABS and home equity client transactions					
 <b>Ameriquest Securities, Inc.</b> Series 2006-W3 Co-lead Manager March 2006	 <b>Bayview Financial</b> Bayflow Commercial Asset Trust 2006-CAD1 Lead Manager June 2006	 <b>CHASE</b> ChasePlay Trust Series 2006-1 Sole Manager May 2006	 <b>CMAA</b> CMAA Home Equity Loan Trust Series 2006-HE1 Lead Manager December 2005	 <b>Flagstar Home Equity Loan Trust</b> Series 2006-1 Lead Manager April 2006	 <b>JPMorgan</b> JPMAC Series 2005-OP11 Lead Manager July 2005
 <b>Ameriquest Securities Corp.</b> Series 2006-KS1 Co-lead Manager January 2006	 <b>Bayview Financial</b> Bayflow Commercial Asset Trust 2006-CAD1 Lead Manager June 2006	 <b>CHASE</b> ChasePlay Trust Series 2006-1 Sole Manager May 2006	 <b>CMAA</b> CMAA Home Equity Loan Trust Series 2006-HE1 Lead Manager December 2005	 <b>Flagstar Home Equity Loan Trust</b> Series 2006-1 Lead Manager April 2006	 <b>JPMorgan</b> JPMAC Series 2005-OP11 Lead Manager July 2005
 <b>Countrywide</b> HomeBank Mortgage Trust 2006-1 Lead Manager March 2006	 <b>Countrywide</b> New York Mortgage Trust 2006-1 Lead Manager March 2006	 <b>Countrywide</b> CMAA Home Equity Loan Trust Series 2006-HE1 Lead Manager March 2006	 <b>Countrywide</b> Alternative Loan Trust 2006-7CB Lead Manager (subs) March 2006	 <b>Countrywide</b> Ameriquest Securities, Inc. Series 2006-W3 Joint Lead Manager March 2006	 <b>Countrywide</b> Alternative Loan Trust 2006-12CB Lead Manager (subs) March 2005
 <b>AMERICAN GENERAL</b> American General Mortgage Loan Trust 2006-1 Joint Lead Manager February 2006	 <b>AMERICAN GENERAL</b> RAMP Series 2006-NC2 Trust Joint Lead Manager February 2006	 <b>AMERICAN GENERAL</b> Credit Based Asset Servicing and Securitization, LLC Series 2006-CB2 Lead Manager February 2006	 <b>AMERICAN GENERAL</b> RALI Series 2006-QS1 Trust Lead Manager (subs) January 2006	 <b>AMERICAN GENERAL</b> RASC Series 2006-KS1 Trust Joint Lead Manager January 2006	 <b>AMERICAN GENERAL</b> Flagstar Home Equity Loan Trust 2005-1 Lead Manager December 2005

JPMORGAN MORTGAGE BANKING QUALIFICATIONS

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## Recent Publications

**Medroxy**

## Agenda

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JPMORGAN SECURITIZATION OVERVIEW





## Acquisition Strategies

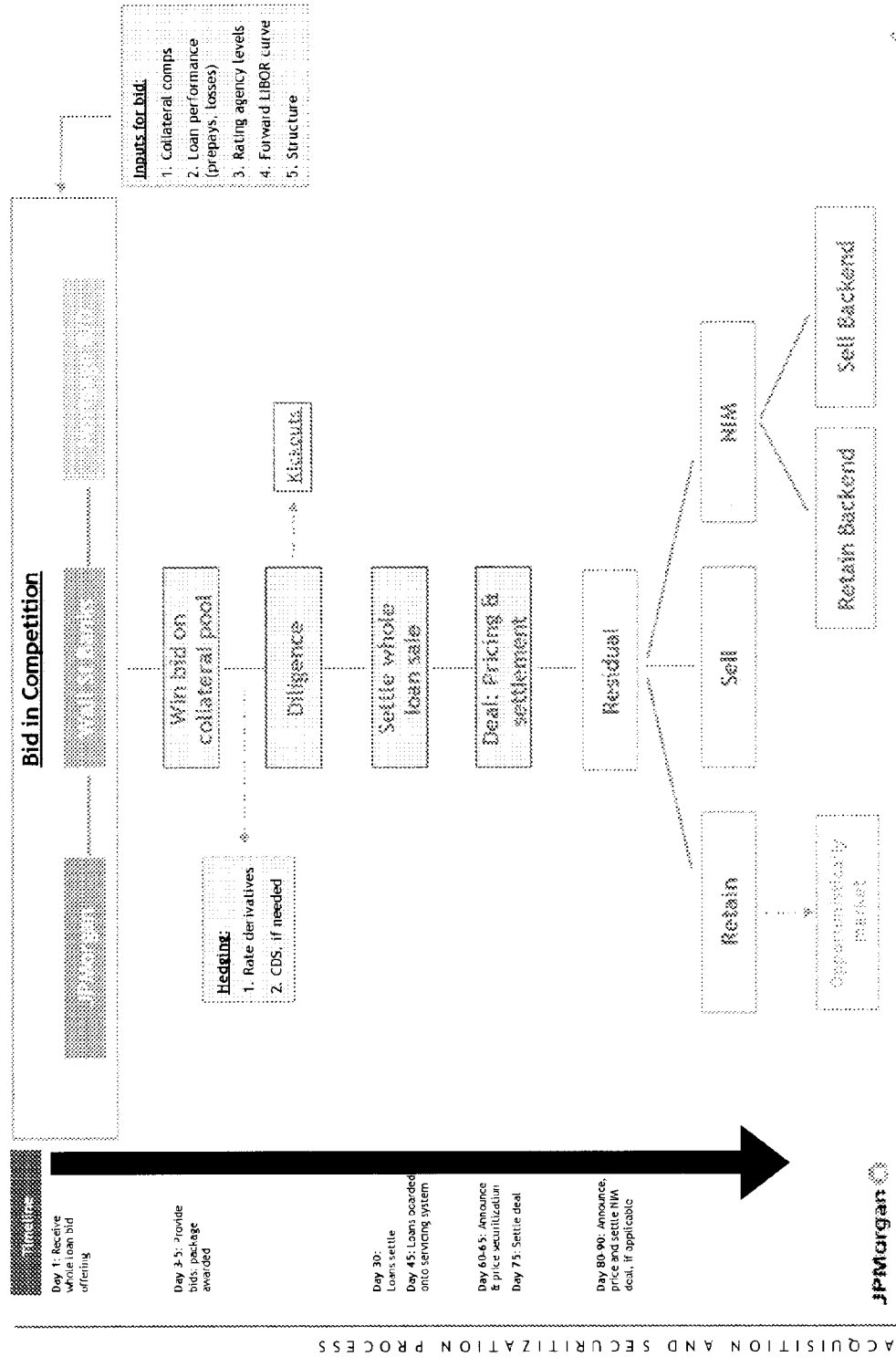
- ✧ Initial focus on acquiring bulk packages from large originators who have a broad relationship with JPMorgan
- ✧ JPMorgan has begun acquiring medium size bulk packages, which are combined to create multi-seller securitizations
- ✧ Loans are purchased to the seller's underwriting guidelines
- ✧ High level guidelines require that all current purchases meet the following criteria:
  - ✧ FICO greater than 500 (for Sub-prime product)
  - ✧ LTV/CLTV less than or equal to 100%
  - ✧ No predatory or high cost loans

Large Bulk Packages (\$500MM+)	Medium Bulk Packages (\$50MM - \$300MM)	Correspondent Flow
<ul style="list-style-type: none"> <li>✧ Large bulk packages of \$500MM+ for placement into single name securitizations               <ul style="list-style-type: none"> <li>✧ Transparency of information                   <ul style="list-style-type: none"> <li>✧ Historical performance and collateral</li> <li>✧ Rating agency levels and enhancements</li> <li>✧ Market color on execution (i.e. spreads, investors, structures, etc)</li> </ul> </li> <li>✧ Lower transaction costs</li> <li>✧ Convenient and easier transaction execution</li> <li>✧ Ability to leverage existing relationships in the IB and CHF</li> <li>✧ Lowest securitization margin</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>✧ Medium purchases of \$50 - \$300MM for aggregation into multi-seller securitizations               <ul style="list-style-type: none"> <li>✧ Less transparency of performance and market color</li> <li>✧ Higher transaction costs</li> <li>✧ Wider profit margin</li> <li>✧ Existing clients or potential clients</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>✧ Smaller packages and loan level acquisitions represent a future opportunity               <ul style="list-style-type: none"> <li>✧ Allows for greater profit margin</li> <li>✧ Requires a "flow" infrastructure capable of handling individual loan purchase and sales</li> <li>✧ Requires development of JPMAC pricing/UW guidelines</li> <li>✧ 100% due diligence on loans</li> </ul> </li> <li>✧ Partnership with CHF to leverage underwriting/boarding infrastructure required</li> </ul>

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ACQUISITION AND SECURITIZATION PROCESS

# Whole loan acquisition and securitization process





## Counterparty approval

Approved counterparties	Risk approval guidelines
<ul style="list-style-type: none"> <li>✖ PHH</li> <li>✖ Greenpoint</li> <li>✖ NatCity</li> <li>✖ Accredited</li> <li>✖ Ameriquest</li> <li>✖ SutTrust</li> <li>✖ Countrywide</li> <li>✖ Equifirst</li> <li>✖ Fieldstone</li> <li>✖ First Franklin</li> <li>✖ Fremont</li> <li>✖ GMAC RFC</li> <li>✖ New Century</li> <li>✖ Novastar</li> <li>✖ Option One</li> <li>✖ Ownit</li> <li>✖ ResMAE</li> <li>✖ Wells Fargo</li> <li>✖ WMC</li> </ul>	<ul style="list-style-type: none"> <li>✖ JPMAC will only trade with counterparties that have received approvals from appropriate risk representatives. The approval is based on:               <ul style="list-style-type: none"> <li>✖ Existing relationships or sponsorship within the IB or CHF</li> <li>✖ Financial condition and reputation of the counterparty</li> <li>✖ Servicer rating</li> <li>✖ Industry best practices</li> <li>✖ Solid underwriting platform and approved guidelines</li> <li>✖ Strategic firm-wide opportunities</li> <li>✖ A comprehensive loan pool analysis detailing collateral composition and historical performance</li> <li>✖ On initial purchases, Principal Risk Management reviews model as assumptions for each counterparty before submitting bids</li> </ul> </li> <li>✖ On-site due diligence is performed by members of the Transaction Management, Banking and Trading teams (refer to exhibit 1 for detailed due diligence process)</li> </ul>

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ACQUISITION AND SECURITIZATION PROCESS

## Bid Process

All incoming loan pools are evaluated using a prospective securitization exit strategy

### 1. Collateral review

- ⌘ Comps to similar collateral pools are reviewed including key statistics such as LTV, FICO, Documentation Type, Product Mix, etc
- ⌘ Whole loan pools are compared against historical pools from the seller
- ⌘ Affordability loans (e.g. IOs and 40yr balloons) are reviewed for proper risk pricing and compensating factors
- ⌘ Loans are reviewed to ensure appropriate geographic diversification

### 3. Independent performance validation

- ⌘ JPMorgan uses 2 loan level models to create an initial set of loss and prepay forecasts - Loan Performance and proprietary model
- ⌘ The models uses loans specific collateral characteristics (LTV, FICO, Doc Type, etc) and incorporates expectations about interest rates and housing prices (at the MSA level)
- ⌘ The simulation engines provide the magnitude and timing of prepaes and losses for use in cashflow modeling
- ⌘ ABS/MBS Research team reviews the assumptions for quality control purposes



### 2. Rating agency feedback

- ⌘ Rating agency feedback on pools are used to tranche the prospective bond sizes
- ⌘ Enhancement and loss coverage levels are compared on a pool-to-pool basis
- ⌘ Reasonable adjustments are made to the rating agency levels to reflect potential market movements at time of securitization

### 4. Structure evaluation

- ⌘ After coordinating with syndicate desk for market spreads, the prepay and loss assumptions, along with forward LIBOR assumptions and credit enhancement, are incorporated to develop a structure and evaluate economics
- ⌘ Valuations are stressed for optimal alternatives and implementation of various interest rate derivatives

ACQUISITION AND SECURITIZATION PROCESS

## Risk Models

### Projection methodology

- The collateral data tape is fed into the Loan Performance Risk model where it is analyzed on a loan level basis for defaults, severities and prepays
  - Variables such as FICO, doc type, CLTV, occupancy and product type are assessed
- The LP Model is used to forecast credit and prepayment risk based on loan level characteristics of the bid pools
  - Prepay and loss curves play a tremendous role in determining the size of the excess cashflow strip
  - The model estimates a distribution of possible future prepay and loss vectors by performing multiple simulations of future interest rates and housing paths
  - Housing prices are simulated using 20 years of historical MSA level home price appreciation data
  - Projected vectors are compared to historical performance
- ABS Trading is developing an issuer-specific proprietary model to enable more robust valuation of loan pools
  - Supported by a large public and internal mortgage database
  - Collaborating with CHF to gather, analyze and assess raw mortgage data

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ACQUISITION AND SECURITIZATION PROCESS

## On-going Portfolio Surveillance

Post closing, Transaction Management and Trading Desks perform on-going monitoring of assets - both assets in inventory as well as sold positions

- Monitor inventory for performance and quality
- Monitor securitized assets for prepayment and credit performance at dealer and counterparty level
- Monitor purchase agreement covenants, reps and warranties and take action as appropriate
  - Early payment default
  - Premium recapture
- On-going counterparty contractual performance review
- Third party trust oversight managers
  - Pentalpha Surveillance LLC
  - Clayton Fixed Income Services



ACQUISITION AND SECURITIZATION PROCESS

## Pentalpha Surveillance LLC

- Pentalpha Surveillance LLC provides loan-level oversight services for domestic and international structured finance trusts
- Primary product - Pentalpha Recovery and Optimization (PRO services)
  - Review monthly work of loan servicers, insurers, derivative counterparties, fund managers and indenture trustees
  - Ensures compliance of third party agents with their trust obligations
  - Maximizes timely cash flow to trusts
  - Minimizes downgrade risk to bonds
  - Provides collateral and operational benchmark services
- Other services include:
  - Investment management advice
  - Strategic planning advisory
  - Workout services
  - Valuation opinions
  - Model validations
  - Operational consulting
  - Due Diligence services
  - Litigation support

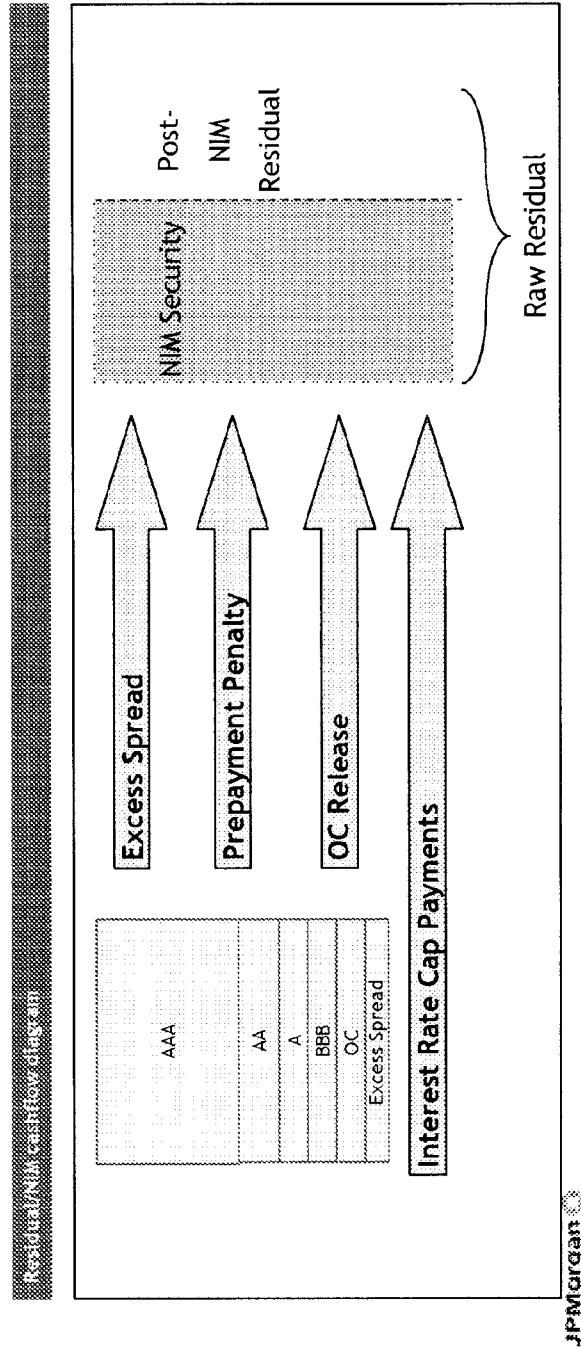
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ACQUISITION AND SECURITIZATION PROCESS

## Residual Risks and Mitigants

- ✧ Post-securitization, a residual is created and held by JPM. Several alternatives exist for retaining or distributing some or a portion of this risk
  - ✧ Retain entire residual
  - ✧ NIM the front-end of the residual and retain the back-end Non-IG piece
    - Investment grade residuals: first 24 months of cashflow that is relatively less susceptible to the adverse effects of the loss curve
    - Non-investment grade residuals: the unrated backend cashflow is more negatively impacted by the adverse effects of the loss and prepay curve
  - ✧ Sell some portion of the entire residual
- ✧ Main sources of cashflow for residuals and NIM securities:
  - ✧ Excess spread - the difference between the net interest rate on the loans and the coupons on the bond
  - ✧ Overcollateralization release - portion of fully funded OC can be released to NIM, provided that certain triggers are met
  - ✧ Prepayment penalty - penalty fees are pledged to the residual/NIM security
  - ✧ Interest rate cap agreements - hedges interest rate risk during bear market scenarios

ACQUISITION AND SECURITIZATION PROCESS



## Residual Risks and Mitigants (continued)

■ Any retained residual is exposed to the following risks:

Risks	Mitigants
Interest Rate Movement	<ul style="list-style-type: none"> <li>■ BPV analysis: libor stress scenarios on residual value</li> <li>■ Hedge with Eurodollar futures, caps, swaps</li> </ul>
Credit Losses	<ul style="list-style-type: none"> <li>■ Extensive front-end due diligence               <ul style="list-style-type: none"> <li>⊗ Comprehensive collateral analysis</li> <li>⊗ Forecasting of credit and prepayment risk on loan level characteristics</li> <li>⊗ Collateral guidelines (see Warehouse Risk and Mitigants)</li> </ul> </li> <li>■ Top rated servicing               <ul style="list-style-type: none"> <li>⊗ CHF on most servicing released bids; exceptions are made for partnerships with upper tier servicing arms</li> <li>⊗ Only accept retained packages from upper tier servicers</li> </ul> </li> <li>■ Third party surveillance: Pentalpha, Clayton               <ul style="list-style-type: none"> <li>⊗ Loan level servicing oversight</li> <li>⊗ Loss mitigation review</li> <li>⊗ Also provide reconciliation on waterfall, embedded derivatives, prepay penalties, etc.</li> </ul> </li> </ul>
Prepayments	<ul style="list-style-type: none"> <li>■ Significant prepay penalty coverage</li> <li>■ Premium recapture on early prepays</li> </ul>
Model Risk	<ul style="list-style-type: none"> <li>■ Monthly/quarterly Residual Review Committee meetings</li> </ul>

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ACQUISITION AND SECURITIZATION PROCESS

## Agenda

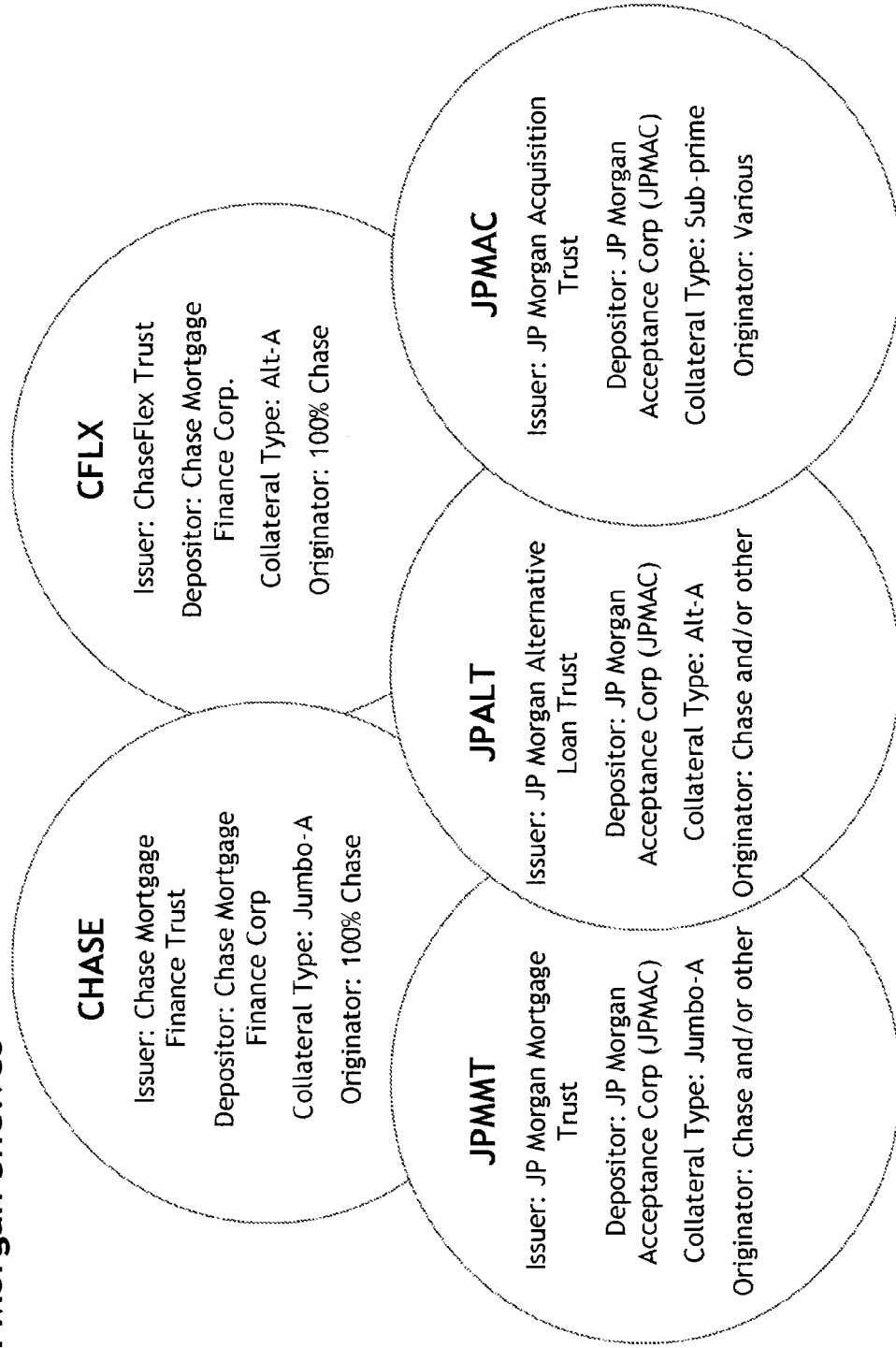
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JPMORGAN SECURITIZATION OVERVIEW





## JPMorgan Shelves



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DEAL DESCRIPTION

## Summary collateral - recent shelf deals

Summary collateral					
Summary Statistics	JPMWT 2005 S3 Prime - Jumbo	JPALT 2006-A2 (OC Group) Alt. A	JPALT 2006-A2 (Shifting Interest) Alt. A	JPMAC 2006-WWCZ (Aggregate) Sub-prime	
Deal Close Date	07/31/2006	04/28/2006	04/28/2006	06/06/2006	
Originator	Courtywide, PHH, Citizens	Chase, Countrywide, Greenpoint, PHH, MET	Chase, Countrywide, PHH, MET	WMC	
Service	Countrywide, PHH, Wells Fargo	Chase, Greenpoint, Countrywide, PHH	Chase, Greenpoint, Countrywide, PHH	Chase	
Total Balance	\$1,004,703,962	\$586,611,218	\$582,382,129	\$1,274,996,689	
Avg Balance	5559,723	\$301,290	\$350,200	\$195,852	
Number of Loans	1,795	1,947	1,663	6,510	
WAC	6.41%	6.84%	6.41%	8.27%	
FICO	745	710	708	636	
OLTV	70.30%	76.63%	74.55%	82.63%	
Term Rem	319	357	357	337	
Months to roll	NA	49	76	6.47%	
Hybrid Type (Initial Fixed Period)	NA	2 Year (1.43%), 3 Year (34.11%), 5 Year (64.46%)	5 Year (58.36%), 7 Year (19.07%), 10 Year (22.56%)		
ARM	0.00%	100.00%	100.00%	79.08%	
Fixed Rate	100.00%	0.00%	0.00%	20.92%	
First Lien	100.00%	100.00%	100.00%	88.88%	
Second Lien	0.00%	0.00%	0.00%	11.12%	
Full Documentation	42.83%	11.89%	15.33%	30.52%	
Purchase	54.15%	69.31%	54.30%	58.44%	
Cash Out Refinance	24.69%	23.36%	33.67%	38.95%	
Rate/Term Refinance	20.96%	7.33%	12.03%	2.61%	
Primary	90.91%	77.62%	88.60%	95.32%	
Investment	0.51%	13.96%	7.17%	1.89%	
Second / Vacation	7.58%	8.42%	4.23%	2.79%	
Single Family	68.31%	57.39%	56.56%	67.79%	
PUD	24.95%	22.53%	21.52%	14.01%	
MH	0.00%	0.00%	0.00%	0.00%	
Interest Only	19.38%	89.36%	88.33%	11.23%	
Not Interest Only	80.62%	10.64%	11.67%	88.77%	
Top 3 States:	CA(33.40%), NY(7.76%), FL(5.38%)	CA(11.25%), FL(11.76%), NV(5.84%)	CA(37.96%), FL(0.06%), MD(5.44%)	CA(41.22%), FL(8.21%), MA(6.57%)	

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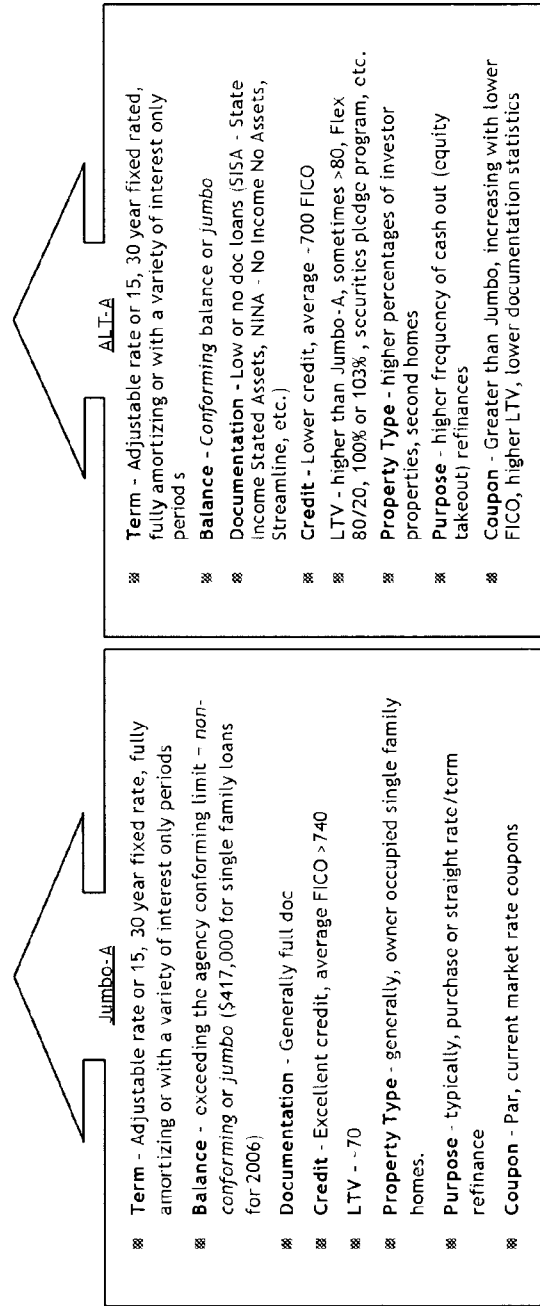
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DEAL DESCRIPTION

## Prime vs. Alt-A

- ⌘ Non-Agency - residential mortgage loans that do not meet (do not conform to) the Government Sponsored Entities' (FNMA, FHLMC, GNMA) Guidelines for Delivery due to one or a combination of the following factors:
  - ⌘ The **mortgage balance** exceeds the amount permitted by the agency
  - ⌘ The **borrower characteristics** fail to meet the underwriting standards established by the agency
  - ⌘ The **loan characteristics** fail to meet the underwriting standards established by the agency
  - ⌘ The **loan documentation** required by the agency is not complete due to either borrower's inability to provide or lender's decision to waive

**Non-Agency collateral is differentiated into Prime (Jumbo-A) and Alternative or (Alt-A):**



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DEAL DESCRIPTION

## Subprime vs. Alt-A

Collateral Characteristics				
Sample pool profile	Traditional Alt-A	Traditional Subprime	High LTV / Low Doc	Expanded Alt-A
WA FICO	730	600	700%	Lower Credit / Full Doc
WA LTV	70%	80%	87%	660 75%
Documentation	Stated Income = 70% No Ratio = 15% NINA = 10% Full Doc = 5%	Full / Alt Doc = 75% Stated Income = 25%	NINA = 40% Stated Income = 35% No Ratio = 15% Full Doc = 10%	Full Doc = 35% Stated Income = 30% NINA = 20% No Ratio = 15%
Owner Occupied	90%	95%	70%	85%
Purpose	Purchase / Rate Term Refi = 75%	Cashout Refi / Debt consolidation with Cashout = 55% Purchase = 35%		
Max DTI range (where applicable)	38% - 45%	50% - 55%	55% - 60%	55% - 60%

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DEAL DESCRIPTION

## The Alternative-A market

### Alt-A market definitions

- The definition of what constitutes and “Alt -A” loan has changed over the last 5 years. Traditionally, Alt -A borrowers were those that had strong “A” credit but had non -standard needs - typically with respect to documentation. This market was originally constructed for those individuals, usually self employed borrowers, who wanted a quick mortgage decision and were willing to pay a s light premium to avoid income and asset verification. This would be appealing to entrepreneurs, sales people, self employed borrowers, etc who potentially might have a volatile income stream, but who are creditworthy.
- Currently, the concept of Alt -A now includes those borrowers who might have good credit history at an A - level. Furthermore, some types of borrowers may fall into an “Alt-B” category, as credit scores may be as low as 580 and can average around 660.
- It may be difficult to devise conclusive definitions and guidelines for Alt -A collateral, since definitions may vary lender to lender.

### Alt-A market originations

- As the housing market continues to slow, near term growth in the Alt-A sector will continue to rise during 2006. As lenders continue to find ways to bolster their pipelines, much of the growth in the Alt -A sector, continues to come from IOs and Option ARMs (Negative amortization loans). In fact, IO originations are expanding to include Fixed Rate IOs. Further origination volume may also come from rolling refi's of subprime ARM borrowers who may qualify for Alt -A or Alt-B credit.
- In the second half of 2005, prime loans accounted for 64%, sub -prime loans 21%, Alt -A loans 12%, and government loans 2% of the dollar volume of first mortgage originations. In terms of outstanding loans, the sub-prime and prime share has grown markedly in recent years as the government programs (FHA and VA) have lost significant share. According to MBA's data, at the end of 2005, prime loans accounted for 76%, sub -prime 13%, and FHA and VA the remaining 11% of outstanding loans.

Source: Mortgage Bankers Association



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DEAL DESCRIPTION

## Agenda

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JPMORGAN SECURITIZATION OVERVIEW



## Due Diligence Objectives

To ensure loans being purchased are compliant with the terms of the trade and all Federal, State, and local laws and regulations, loan level due diligence is performed on every transaction.

The objectives of loan level due diligence are to:

- Confirm the mortgage loans were originated consistent with the specific origination guidelines provided by seller
- Confirm the mortgage loans were originated in compliance with Federal, State and local laws, rules and regulations
- Confirm the mortgage loans were not originated in a fraudulent or predatory manner
- Confirm the property collateral has the value represented in the appraisal at the time of origination
- Confirm the loan data is complete and accurate
- Confirm collateral documents are complete

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DU E D I L I G E N C E

## Data Review

The Trade Analytics department reviews all bid tape data pre-bid and pre-funding to confirm completeness and accuracy.

The review consists of:

- Required data fields are tested and verified for completeness and reasonableness
- Key data elements are cross validated to determine accuracy (e.g. term and origination date to maturity date)
- Missing and questionable data is identified, reviewed and resolved with the client or flagged for further review in due diligence
- 100% of the loan data is reviewed and stratified to confirm adherence to the trade requirements and stipulations
- Some of the fields that are reviewed are listed below but are not limited to:

Loan Amount	Debt to Income
Rate	Loan Purpose
Term	Property Type
Loan to Value	FICO Score

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## Credit and Compliance: Sample Selection

Credit and Compliance reviews are performed on a sample of loans. Sample sizes generally range from 20% to 30% but may be as high as 100% for new clients or for transactions comprised of a small number of loans. Samples will contain the following components and characteristics:

- Overall sample sizes are generally 20 - 30% in some cases 100%
  - Random sample of 10-20% (50% of overall sample size)
  - Adverse sample of 10-20% (50% of overall sample size)
- Targets individual and combinations of risk characteristics:
  - Loans identified based on adverse loan characteristics by due diligence coordinator
  - Loans identified based on risk grading provided by desk model
  - Sample all loans in unlimited assignee liability states
  - Sample all loans in states identified with specific predatory lending laws

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DU E D I L I G E N C E

## Credit Review

The loan reviews are performed at either the Seller's or the Due Diligence firms facilities. The diligence firms used are widely recognized in the industry for their knowledge, experience, technology, compliance review tools and reporting capabilities. Experienced underwriters are employed to re-underwrite the loans by reviewing the selected sample.

The review consists of but is not limited to:

- Confirming the adherence to specific origination guidelines
- Verification and recalculation of:
  - ... Income
  - ... Debt
  - ... Borrowers debt to income ratios
  - ... Payment and credit History
  - ... Loan to value
- Review of the legal documents for completeness and accuracy

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## Compliance Review

The Compliance review is performed at the same time as the credit review. The due diligence firms maintain comprehensive software-based compliance validation tools. Thacher Proffitt & Wood, a preeminent legal firm in the regulatory compliance field, provides updates and information to the diligence firms to ensure their compliance systems are current and comprehensive.

All the following are reviewed and validated:

- ❖ Compliance with all federal, state and local laws, rules and regulations is confirmed
- ❖ Presence, form and completeness of all required disclosures and notices is confirmed
- ❖ Truth in lending disclosure values and finance charges are recalculated and validated
- ❖ Right of Rescission notice dates are validated against HUD1 and DOT and signatures and form of notices are validated
- ❖ Prepayment penalty terms are verified and validated against federal state and local requirements

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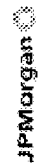
DUE DILIGENCE

## Credit and Compliance Results

The Credit and compliance reviews result in a score for each loan.

The score represents the following:

- Upon completion of the reviews the underwriter gives each loan an event level score of 1, 2 or 3 specifically for credit and another for compliance
  - 1= Pass/Meets Guidelines
  - 2= Pass/Meet Guidelines with compensating factors
  - 3= Fail/Does not meet guidelines
- All loans scored with an event level score of 2 or 3 are reviewed by the JPMorgan due diligence coordinator for final score determination
- All loans with a final score in event level 3 are excluded from being purchased



DUE DILIGENCE

## Predatory Lending Review

JP Morgan does not purchase:

- Section 32 “HOEPA” Loans
- Federal, state or local high cost loans
- Predatory loans

All loans that are determined to have the above characteristics are excluded from being purchased

JP Morgan

DUE DILIGENCE

## Property Value Analysis

100% of the loans are subjected to a property value analysis. The analysis is multi - staged and is performed by experienced third party residential valuation firms . The analysis process is as follows:

- All loans are run through an AVM waterfall to obtain the highest quality AVM available
- All Property Valuation analysis that have any of the following results or characteristics undergo a full review of the origination appraisal an experienced certified appraiser
  - No AVM result available
  - AVM result is higher or lower than appraised value by 15%
  - AVM result has a low or no confidence factor
  - All manufactured housing properties
  - High balance loans and other adversely selected loans
- If after the appraisal review the appraised value still cannot be supported than a Broker Price Opinion (“BPO”) is ordered
- If the BPO value cannot support the appraisal value the loan is then excluded from being purchased

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DUPLICATE